

ANNAPOLIS WATER DISTRICT
Kitsap County, Washington
January 1, 1989 Through December 31, 1991

Schedule Of Findings

1. The District Should Account For Travel Expenses In Accordance With State And Federal Regulations

Our review of travel expenses at Annapolis Water District disclosed the following weaknesses:

- a. The district has no detailed travel policy.
- b. The district did not require written requests for advance travel.
- c. The district did not require an accounting for expenses following the period of travel.
- d. Per diem authorized was in excess of Internal Revenue Service (IRS) allowed amounts.

The *Budgeting, Accounting and Reporting System* (BARS) manual, Volume 1, Part 3, Chapter 3, pages 19-21 states in part:

The legislative body of each municipality must pass an ordinance or resolution to establish rules and regulations for the reimbursement of travel expense.

The BARS manual also requires written requests for advance travel.

RCW 42.24.150 states in part:

On or before the 10th day following the close of the authorized travel period for which expenses have been advanced to any officer or employee, he shall submit to the appropriate official a fully itemized travel expense voucher, for all reimbursable items legally expended . .

. .

The IRS limits the amount of per diem an employee may receive. Under the Family Support Act of 1988, which became effective on July 1, 1990, reimbursements which exceed IRS limits are subject to tax withholding for federal income, Federal Insurance Contributions Act (FICA), and Federal Unemployment Tax Act (FUTA). Under prior law, excessive reimbursements were treated as "other compensation." These transactions should have been reported as federal taxable income, but were not subject to tax withholding for federal income, FICA, and FUTA. On or after July 1, 1991, employers can be assessed penalties for not complying with these requirements.

Because the district was not aware of the regulations governing travel, the district lacked adequate documentation to support travel expenses, and was not in compliance with state and federal travel regulations.

We recommend the district amend its travel policies to comply with state and federal requirements.